

EXHIBIT J

CONTRACT ACCOUNTING, ADMINISTRATION AND REPORTING REQUIREMENTS

The purpose of this Exhibit J is to establish required accounting, financial reporting, and internal control standards for entities (Contractor) which contract with the Los Angeles County.

The accounting, financial reporting and internal control standards described in this Exhibit J are minimums. These standards are not intended to be all inclusive or replace acceptable existing procedures or preclude the use of more sophisticated methods. Instead, this Exhibit J represents the minimum required procedures and controls that must be incorporated into a Contractor's accounting and financial reporting systems. The internal control standards described are those that apply to Contractor organizations with adequate staffing. Organizations with a smaller staff must attempt to comply with the intent of the standards and implement internal control systems appropriate to the size of their staff/organization. Contractor's subcontractors must also follow these standards unless otherwise stated in the Contract.

A. ACCOUNTING AND FINANCIAL REPORTING

1.0 Basis of Accounting

Contractor may elect to use either the cash basis or accrual basis method of accounting for recording financial transactions. Monthly invoices must be prepared on the same basis that is used for recording financial transactions.

1.1 The County recommends the use of the accrual basis for recording financial transactions.

Accrual Basis

Under the accrual basis, revenues are recorded in the accounting period in which they are earned (rather than when cash is received). Expenditures are recorded in the accounting period in which they are incurred (rather than when cash is disbursed).

Accruals

Accruals shall be recorded observing the following:

- Only accruals where cash will be disbursed within six (6) months of the accrual date should be recorded.

- Recorded accruals must be reversed in the subsequent accounting period.
- 1.2 If Contractor elects to use the cash basis for recording financial transactions during the Fiscal Year:
- Necessary adjustments must be made to record the accruals at the beginning and the end of the Fiscal Year.
 - All computations, supporting records, and explanatory notes used in converting from cash basis to the accrual basis must be retained.
- 1.3 Prepaid Expenses

Prepaid expenses (e.g., insurance, service agreements, lease agreements, etc.) should only be expensed during a given Contract Fiscal Year to the extent goods and Services are received during that Fiscal Year.

ACCOUNTING SYSTEM

- 2.0 Contractor shall maintain a double entry accounting system (utilizing debits and credits) with a General Journal, a Cash Receipts Journal, a General Ledger, and a Cash Disbursements Journal. The County recommends that a Payroll Register also be maintained. Postings to the General Ledger and Journals should be made on a monthly basis.
- 2.1 General Journal

A General Journal shall be maintained for recording adjusting entries, reversing entries, closing entries, and other financial transactions not normally recorded in the Cash Receipts Journal or Cash Disbursements Journal. Entries in the General Journal must be adequately documented, and entered in chronological order with sufficient explanatory notations.

Example:	DR	CR
Rent Expense	100	
Rent Payable		100

To record accrued rent to March 31, 20XX

- 2.2 Cash Receipts Journal

A Cash Receipts Journal shall be maintained for recording all cash receipts (e.g., County warrants, contributions, interest income, etc.). The Cash Receipts Journal shall contain (minimum requirements) the following column headings:

- date
- receipt number
- cash debit columns
- income credit columns for the following accounts:
 - County payments (one per funding source)
 - Contributions
 - Other Income (Grants, sales of supplies/services, rental income, miscellaneous revenue, fees, etc.)
- Description (Entries in the description column must specify the source of cash receipts.)

2.3 Cash Disbursements Journal

A Cash Disbursements Journal shall be maintained for recording all cash disbursements (e.g., rent, utilities, maintenance, etc.)

The Cash Disbursements Journal shall contain (minimum requirements) the following column headings:

- date
- check number
- cash (credit) column
- expense account name
- description

Note (1) Separate expense columns are recommended for salary expense and other recurring expense classifications for each program.

Note (2) Entries in the description column must specify the nature of the expense and the corresponding expense classification if not included in the column heading.

Note (3) Checks should not be written to employees (other than payroll, mileage, travel, and petty cash custodian checks.)

A Check Register may be substituted for the Cash Disbursements Journal, but this is not recommended. If used, the Check Register must contain the same expense classifications and description information required when a Cash Disbursements Journal is used.

Disbursements without supporting documentation will be disallowed on audit. Cancelled checks and credit card statements (VISA, AMEX, department store, etc.) will not constitute acceptable support. (See Section A.3.2 and B.2.4) for additional guidance.

2.4 General Ledger

A General Ledger shall be maintained with accounts for all assets, liabilities, fund balances, expenditures, and revenues. Separate accounts must be maintained for each County program's expenses and revenues.

2.5 Chart of Accounts

A Chart of Accounts shall be maintained:

- The County recommends that Contractor use the expense account titles on the monthly invoice submitted to the County.
- If the Contractor uses account titles which differ from the account titles on the monthly invoice, each account title must clearly identify the nature of the transaction(s) posted to the account.
- Contractor must consistently post transactions that are of a similar nature to the same account. For example, all expenses for travel shall be posted to the account titled "travel" or "travel expense" and not intermixed with other expense accounts.

2.6 Payroll Register

The County recommends that a Payroll Register be maintained for recording all payroll transactions. The Register should contain the following:

- Name
- Position
- Social Security Number
- Salary (hourly wage)
- Payment Record including:
 - accrual period
 - gross pay
 - itemized payroll deductions
 - net pay amount
 - check number

If a Payroll Register is not used, the information in (2.6) must be recorded in the cash disbursements journal.

Contractor will ensure compliance with all applicable federal and State requirements for withholding payroll taxes (FIT, FICA, FUTA, SIT, SIU, etc.), reporting, filing (941, DE-7, W-2, W-4 and 1099s), and all applicable tax deposits.

Contractor will ensure compliance with Internal Revenue Service guidelines in properly classifying employees and independent contractors.

2.7 Contractor Invoices

Contractor shall present an invoice to the County each calendar month to report the financial activity of the month. In addition, if advanced funding is involved, an invoice shall be presented at the beginning of the Fiscal Year. Invoices shall be prepared in the manner prescribed by the County's contracting department.

3.0 Records

Adequate care shall be exercised to safeguard the accounting records and supporting documentation. Any destruction or theft of the Contractor's accounting records or supporting documentation shall be immediately reported to the County pursuant to the requirements outlined in Exhibit M (Fixed and Non-Fixed Assets and Supplies Purchase, Inventory and Disposal Requirements), Section II, Part C.

3.1 Retention

All accounting records (e.g., journals, ledgers, etc.), financial records and supporting documentation (e.g., invoices, receipts, checks, etc.) must be retained for a minimum of five (5) years after the termination of the Contract pursuant to Paragraph 8.38 (Record Retention and Inspection/Audit Settlement) of the Contract.

3.2 Supporting Documentation

All revenues and expenditures shall be supported by original vouchers, invoices, receipts, or other documentation and shall be maintained in the manner described herein.

Invoices, receipts and canceled checks will be required to support an outlay of Contract Funds. Unsupported disbursements will be disallowed on audit. Contractor will be required to repay County for all disallowed costs. **Photocopied invoices or receipts, any internally generated documents (i.e., vouchers, request for check forms, requisitions,**

canceled checks, etc.), and account statements do not constitute supporting documentation for purchases.

Supporting documentation is required for various types of expenditures as follows:

Payroll – time and attendance records signed by an employee and approved in writing by a supervisor; time distribution records by program accounting for total work time on a daily basis for all employees; records showing actual expenditures for Social Security and unemployment insurance; State and federal quarterly tax returns; federal W-2 forms; and federal W-4 forms.

Consultant Services – contracts, time and attendance records, billing rates, travel vouchers detailing purpose, time and location of travel, purchase orders and invoices for supplies and invoices or other supporting documentation detailing the nature of services provided.

Travel – prior, written approval from County for travel expenses related to providing Services under the Contract; travel policies of the Contractor (written); travel expense vouchers showing location, date and time of travel, purpose of trip, and rates claimed; vehicle mileage logs showing dates, destination and headquarters, purpose of trip, and mileage. Travel related to conferences should include conference literature detailing purpose of the conference. Reimbursement rates for mileage shall not exceed applicable County guidelines.

Reimbursement for actual receipts or per diem rates for meal expenses shall not exceed the maximum County's reimbursement rate for employees.

Receipts shall be required for lodging for approved out-of-town travel dates. Maximum reimbursable lodging amount is the maximum County's reimbursement rate for employees for a single occupancy hotel accommodation.

Operating Expenses (e.g., utilities, office supplies, equipment rentals, etc.) – bona fide contracts or lease agreements, if any, and invoices and receipts detailing the cost and items purchased will constitute the primary supporting documentation. For internal control purposes, the Contractor shall maintain vouchers, purchase orders, requisitions, stock received reports, bills of lading, etc.

Outside Meals - receipts and/or invoices for all meals, a record of the nature and purpose of each meal, and identification of the Client(s).

3.3 Payments to Affiliated Organizations or Persons

Contractor shall not make payments to affiliated organizations or persons for Program expenses (e.g., salaries, services, rent, etc.) that exceed the lower of actual cost or the reasonable cost for such expenses. A reasonable cost shall be the price that would be paid by one party to another when the parties are dealing at arm's length (fair market price).

Organizations or persons (related parties) related to the Contractor or its members by blood, marriage, or through legal organization (corporation, partnership, association, etc.) will be considered affiliated for purposes of this Contract. County shall be solely responsible for the determination of affiliation unless otherwise allowed and approved by the State or federal agencies.

Payments to affiliated organizations or persons will be disallowed on audit to the extent the payments exceed the lower of actual costs or the reasonable costs for such items.

3.4 Filing

All relevant supporting documentation for reported Program expenditures and revenues shall be filed in a systematic and consistent manner. It is recommended that supporting documents be filed as follows:

- checks – numerically
- invoices – vendor name and date
- vouchers – numerically
- receipts – chronologically
- timecards – pay period and alphabetically

3.5 Referencing

Accounting transactions posted to the Contractor's books shall be appropriately cross-referenced to supporting documentation. It is recommended that expenditure transactions on the Contractor's books be cross-referenced to the supporting documentation as follows:

- invoices – vendor name and date
- checks – number
- vouchers – number
- revenue – receipt number

Supporting documentation for non-payroll expenditures (i.e., operating expenditures) should be cross-referenced to the corresponding check

issued for payment. If multiple invoices are paid with one (1) check, all related invoices should be bound together and cross-referenced to the check issued for payment.

4.0 Donations and Other Sources of Revenue

Restricted donations and other sources of revenue earmarked specifically for the Contract must be utilized on allowable Contract expenditures.

5.0 Audits

Contractor will make available for inspection and audit to County representatives, upon request, during County's hours of operation, during the duration of the Contract and for a period of five (5) years thereafter, all of its books and records relating to the operation of each project or business activity which is funded in whole or part with governmental monies, whether or not such monies are received through the County. All such books and records shall be maintained at a location within Los Angeles County.

B. INTERNAL CONTROLS

Internal controls safeguard the Contractor's assets from misappropriations, misstatements or misuse. Contractor shall prepare necessary written procedures establishing internal controls for its staff. The Contractor shall instruct all of its staff in these procedures and continuously monitor operations to ensure compliance with them.

1.0 Cash Receipts

1.1. Separate Fund or Cost Center

All Contract revenues shall be maintained in a bank account. If revenues from other sources are maintained in the same bank account, revenues for each source must be clearly identifiable on the accounting records through the use of cost centers or separate accounts.

1.2 Deposits

All checks shall be restrictively endorsed upon receipt.

Cash received shall be recorded on pre-numbered receipts. Checks shall be recorded on a check remittance log at the time of receipt.

Cash receipts (i.e., cash and checks) totaling \$500 or more shall be deposited within one (1) day of receipt. Collections of less than \$500 may be held and secured and deposited weekly or when the total reaches \$500, whichever occurs first.

Duplicate deposit slips shall be retained and filed chronologically, and shall contain sufficient reference information for comparison to the Cash Receipts Journal (and individual receipts, if applicable).

1.3 Separation of Duties

An employee who does not handle cash shall record all cash receipts.

1.4 Bank Reconciliations

Bank statements should be received and reconciled by someone with no cash handling, check writing, or bookkeeping functions (bookkeeper).

Monthly bank reconciliations should be prepared within thirty (30) days of the bank statement date and reviewed by management for appropriateness and accuracy. The bank reconciliations should be signed by both the preparer and the reviewer. Reconciling items should be resolved timely.

2.0 Disbursements

2.1 General

All disbursements for expenditures, other than petty cash, shall be made by check.

Blank check stock shall be secured and accounted for to preclude unauthorized use.

Checks shall not be payable to "cash" or signed in advance. Checks written to employees for reimbursement of out-of-pocket costs must be supported by receipts and invoices.

A second signature shall be required on all checks, unless otherwise authorized by County in writing.

If the bookkeeper signs checks, a second signature shall be required on the checks.

Voided checks shall be marked void with the signature block cut out. The voided checks must be filed with the cancelled checks.

Unclaimed or undelivered checks shall be cancelled periodically.

All supporting documentation shall be referenced to check numbers and marked "paid" or otherwise canceled to prevent reuse or duplicate payments.

Disbursements without adequate supporting documentation will be disallowed on audit.

2.2. Approvals and Separation of Duties

Employees responsible for approving cash disbursements and/or signing of checks shall examine all supporting documentation at the time the checks are approved and signed.

All disbursements, excluding petty cash purchases, shall be approved by persons independent of check preparation and bookkeeping activities.

2.3 Petty Cash

A petty cash fund up to \$500 may be maintained for payment of small incidental expenses incurred by the Contractor (e.g., postage due, small purchases of office supply items, etc.). The Contractor must obtain prior written approval from the County to establish a petty cash fund greater than \$500.

Petty cash disbursements must be supported by invoices, store receipts or other external authenticating documents indicating the item purchased and the employee making the purchase. In the event that outside (external) supporting documentation is not obtainable for minor disbursements (under \$10), such as parking meters, etc., then documentation shall be considered as proper supporting documentation on a basis of reasonableness. Petty cash disbursements should not be used as a substitute for normal purchasing and disbursement practices (i.e., payment by check).

The petty cash fund shall be maintained on an imprest basis. A check should be drawn to set up the fund and to make periodic reimbursements. Receipts, vouchers, etc., supporting each fund replenishment must be bound together, filed chronologically and cross referenced to the reimbursement check.

2.4 Credit Cards

The use of credit cards, both Contractor issued credit cards and an employee's personal credit cards used on behalf of the Contractor, should be limited to purchases where normal purchasing and disbursement practices are not suitable.

Credit cards issued in the Contractor's name must be adequately protected and usage monitored to ensure that only authorized and necessary items are purchased.

Credit card purchases should be pre-approved by Contractor management to ensure that they are reasonable and necessary.

All credit card disbursements must be supported by original invoices, store receipts or other external authenticating documents indicating the item purchased and the employee making the purchase. Credit card statements are not sufficient support for credit card purchases.

3.0 Timekeeping

3.1 Timecards

Timecards or time reports must be prepared for each pay period. Timecards or time reports must indicate total hours worked each day by program and total hours charged to each of the Contractor's programs. Time estimates do not qualify as support for payroll expenditures and will be disallowed on audit.

All timecards and time reports must be signed in ink by the employee and the employee's supervisor to certify the accuracy of the reported time.

3.2 Personnel and Payroll Records

Adequate security must be maintained over personnel and payroll records with access restricted to authorized individuals.

Personnel and payroll records should include (but not be limited to) the following:

- Employee's authorized salary rate
- Employee information sheet
- Resume and/or application
- Proof of qualifications for the position, if required (e.g., notarized copy or original diploma, license, etc.)
- Performance evaluations
- Criminal record clearance
- Citizenship status

- Benefit balances (e.g., sick time, vacation, etc.)

3.3 Benefit Balances

Employee benefit balances (e.g., sick time, vacation, personal time, etc.) should be maintained on at least a monthly basis. Benefit balances should be increased when benefit hours are earned and decreased as hours are used.

3.4 Limitations on Positions and Salaries

The Contractor shall pay no salaries higher than those authorized in the Contract, or the Exhibits thereto, including this Exhibit J, except as proscribed by State or federal law.

When the Contract is for **Workforce Investment Act Program Services**, Contractor shall adhere to Public Law 109-234, as provided by the Employment Development Department (EDD) through its issuance of a directive. Contractor shall obtain the most current version of EDD's directive on salary and bonus limitations on-line using the following website address:

http://www.edd.ca.gov/Jobs_and_Training/Active_Directives.htm.

For purposes of establishing a reasonable level of compensation for Contractor's employees, County may refer to the applicable Child Welfare League of America (CWLA) Salary Study.

If an employee serves in the same or dual capacities under more than one contract or program, the employee may not charge more than 100% of their time to the contracts or programs taken as a whole.

Salaried employees who work less than 40 hours per week shall be paid a salary that corresponds with the employee's work schedule.

The salary expense of salaried employees working on more than one (1) contract or program shall be allocated to each program based on the ratio of the number of hours worked on each program during the pay period to the total number hours worked during the pay period.

The Contractor will make no retroactive salary adjustment for any employee without prior written approval from the County.

3.5 Separation of Duties

Payroll checks should be distributed by persons not involved in timekeeping, preparing of payroll, or reconciling bank accounts.

All employee hires and terminations, or pay rate changes, shall be approved by authorized persons independent of payroll functions.

All employee hires and terminations, or pay rate changes shall be approved in writing by authorized persons independent of payroll functions.

- 4.0 Bonding – All officers, employees, and agents who handle cash or have access to the Contractor's funds shall be bonded pursuant to Paragraph 8.25 (Insurance Coverage) of the Contract.

C. COST PRINCIPLES

1.0 Policy

It is the intent of the County to provide funds to Contractor for the purpose of providing Services required by the Contract. Contractor shall use these funds on actual expenses in an economical and efficient manner and ensure they are reasonable, proper and necessary costs of providing Services and are allowable in accordance with the applicable Office of Management and Budget (OMB) Circulars and Code of Federal Regulations (CFRs).

- 1.1. Use of Federal grant funds is governed by OMB Circulars, which provide specific requirements for these funds. There are six (6) OMB Circulars which apply to grant funding; as outlined below, the Contractor shall adhere to three (3) of those OMB Circulars, depending on Contractor's organization:

- **Non-Profit Organizations shall follow:**

- Cost Principles: OMB Circular A-122 (relocated to Title 2 CFR Part 230)
- Administrative Requirements: OMB Circular A-110 (relocated to Title 2 CFR Part 215) or Title 29 CFR Part 95
- Audit Requirements: OMB Circular A-133

- **Non-Profit Organizations which are listed in 2 CFR Part 230, Appendix C, shall follow:**
 - Cost Principles: 48 CFR Part 31
 - Administrative Requirements: OMB Circular A-110 (relocated to Title 2 CFR Part 215) or Title 29 CFR Part 95
 - Audit Requirements: OMB Circular A-133
- **States, Local Governments and Indian Tribes shall follow:**
 - Cost Principles: OMB Circular A-87 (relocated to Title 2 CFR Part 225)
 - Administrative Requirements: OMB Circular A-102 or Title 29 CFR Part 97
 - Audit Requirements: OMB Circular A-133
- **Educational Institutions (even if part of a State or Local Government) shall follow:**
 - Cost Principles: OMB Circular A-21 (relocated to Title 2 CFR Part 220)
 - Administrative Requirements: OMB Circular A-110 (relocated to Title 2 CFR Part 215) or 29 CFR Part 95
 - Audit Requirements: OMB Circular A-133
- **Hospitals (both proprietary and non-profit) shall follow:**
 - Cost Principles: 45 CFR Part 74, Appendix E
 - Administrative Requirements: OMB Circular A-110 (relocated to Title 2 CFR Part 215) or Title 29 CFR Part 95
 - Audit Requirements: OMB Circular A-133

Contractor is responsible for obtaining the most recent version of the above referenced OMB Circulars and CFR provisions, which are available on-line at <http://www.whitehouse.gov/omb/circulars/index.html>.

1.2. Limitations on Expenditures of Contract Funds

Contractor shall comply with the Contract and the applicable OMB Circulars and CFRs. The Circulars and CFRs define direct and indirect costs, discusses allowable cost allocation procedures and the development of Indirect Cost Rates, and specifically addresses the allowability of a variety of different costs.

If Contractor is unsure of the allowability of any particular type of cost or individual cost, the Contractor should request advance written approval from the County prior to incurring the cost. Any conflict or inconsistency between or among the requirements outlined within the Contract, Exhibit I (Statement of Work), this Exhibit J, OMB Circulars or CFRs shall be resolved by giving precedence as follows:

- OMB Circulars and CFRs
- Contract
- Exhibit I (Statement of Work)
- Exhibit J (Contract Accounting, Administration and Reporting Requirements)

1.3. Expenses Incurred Outside the Contract Period

Expenses charged against Contract Funds may not be incurred prior to the effective date of the Contract, or subsequent to the Contract expiration or termination date. Expenses charged against Contract Funds during any Fiscal Year period may not be incurred outside of that Fiscal Year.

1.4. Budget Limitation

Expenses may not exceed the maximum limits shown on Exhibit B (Budget).

1.5. Unspent Funds

The County will determine the disposition of unspent Contract Funds upon expiration or termination of the Contract and at the end of each Fiscal Year period.

1.6. Necessary, Proper and Reasonable

Only those expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the Program are allowable.

2.0 Allocation of Cost Pools

When Contractor provides services in addition to the Services required under this Contract, the Contractor shall allocate expenditures that benefit programs or funding sources on an equitable basis.

In accordance with the applicable OMB Circular and CFR, Contractor shall define its allocable costs as either direct or indirect costs (as defined in Sub-paragraphs 2.1 and 2.2 below) and allocate each cost using the basis most appropriate and feasible.

The Contractor shall maintain documentation related to the allocation of expenses (e.g., timecards, time summaries, square footage measurements, number of employees, etc.).

Under no circumstances shall allocated costs be charged to an extent greater than 100% of actual costs or the same cost be charged both directly and indirectly.

2.1 Direct Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective (i.e., a particular program, service, or other direct activity of Contractor's organization). Examples of direct costs include salaries and benefits of employees working on the Program, supplies and other items purchased specifically for the Program, costs related to space used by employees working on the Program, etc.

For all employees, other than those employed in general or administrative positions, the hours spent on each program (activity) should be recorded on employees' timecards and the payroll expense should be treated as direct charges and distributed on the basis of recorded hours spent on each program.

Joint costs (i.e., costs that benefit more than one (1) program or activity) which can be distributed in reasonable proportion to the benefits received may also be direct costs.

Examples of bases for allocating joint costs as direct costs:

- Number of direct hours spent on each program
- Number of employees in each program
- Square footage occupied by each program
- Other equitable methods of allocation

2.2 Indirect Costs

Indirect costs are those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost

objective. Examples of indirect costs include salaries, employee benefits, supplies, and other costs related to general administration of the Contractor's organization, and the salaries and expenses of executive officers, personnel administration, and accounting.

Examples of bases for allocating indirect costs:

- Total direct salaries and wages
- Total direct costs (excluding capital expenditures and other distorting items such as subcontractor payments)

2.3 Acceptable Indirect Cost Allocation Methods

OMB Circulars and CFRs describe the following allowable methods for allocating indirect costs:

- Simplified allocation method
- Direct allocation method
- Multiple allocation base method
- Negotiated indirect cost rate

Simplified Allocation Method

This method can be used when Contractor's major functions benefit from its indirect costs to approximately the same degree. Using this method, all allocable costs are considered indirect costs and an indirect cost rate is determined by dividing total allowable indirect costs by an equitable distribution base.

Example

Agency-wide indirect costs	\$250,000
Less: Capital expenditures	<u>10,000</u>
Allocable indirect costs	240,000
Total agency-wide indirect salaries	\$1,000,000
Indirect cost rate (\$240,000/\$1,000,000)	24%
Program direct salaries	\$100,000
Program indirect costs (24% x \$100,000)	<u>\$24,000</u>

Direct Allocation Method

This method can also be used when Contractor's major functions benefit from its indirect costs to approximately the same degree. Using this

method, all costs except general administration and general expenses are treated as direct costs. Joint costs for rental, facilities maintenance, telephone, and other similar expenses are prorated individually to each direct activity on a basis appropriate for that type of cost.

The remaining costs, which consist exclusively of general administration and general expenses are then allocated using the simplified allocation method previously discussed.

Multiple Base Allocation Method

This method can be used when Contractor's major functions benefit from its indirect costs in varying degrees. Using this method, indirect costs are grouped to permit allocation of each grouping on the basis of the benefits provided to the major functions. Each grouping is then allocated individually using the basis most appropriate for the grouping being allocated.

Negotiated Indirect Cost Rates

Contractor has the option of negotiating an indirect cost rate or rates for use on all its federal programs. The Contractor must submit a Cost Allocation Plan to the federal agency providing the majority of funds to the Contractor's organization. The approved indirect cost rate is then applied to the total approved direct cost base.

If Contractor has a federally approved indirect cost rate, Contractor shall submit a copy of the approval letter to County upon request.

D. UNALLOWABLE COSTS

OMB Circulars and CFRs address the allowability of a variety of different costs. For all costs, there are certain restrictions and limitations; however, the following costs are not allowable under any circumstances:

- Bad debts
- Contingency provisions
- Contributions and donations
- Fines and penalties
- Fundraising activities
- Interest expense (unless expressly allowed by federal guidelines)
- Losses on other awards

E. REPORTING FRAUD, MISCONDUCT OR NON-COMPLIANCE

1.0 Contractor shall report suspected fraud (including welfare fraud), waste, or misuse of public monies, and misconduct of County personnel to the Los Angeles County Fraud Hotline. Contractor shall also report suspected fraud committed by its employees, volunteers, and any subcontractors when that fraud affects its Contract with the County. Reportable conditions of fraud include, but are not limited to:

- Requests for bribes/kickbacks/gratuities by County personnel.
- Favoritism/nepotism in the awarding of County contracts, or selection of vendors.
- Theft or misuse of any funds, resources or equipment.

2.0 Failure to report the types of fraud/misconduct discussed above may be grounds for termination of the Contract as solely determined by County.

3.0 Reports can be made anonymously to the Los Angeles County Department of Auditor-Controller, Office of County Investigations as follows:

Website: www.lacountyfraud.org
E-Mail Address: Hotline@auditor.lacounty.gov
Fraud Hotline: (800) 544-6861
Fax: (213) 633-0991
Mail: Office of County Investigations
500 W. Temple St., Room 515
Los Angeles, CA 90012

4.0 User Complaint Report

4.1 County's staff shall complete the User Complaint Report (UCR) to report Contractor's non-compliance with the requirements of the Contract. Areas of Contractor's non-compliance includes, but is not limited to, the following:

- Contractor's Program Director or other staff not responding to messages/requests from County staff.
- Contractor's Project Director or other staff does not attend trainings/meetings required by County.
- Contractor staff changes without prior notification to the County.
- Illegal or inappropriate behavior by Contractor's staff.
- Contractor not submitting reports/documents or maintaining records as required.
- Contractor not complying with the quality assurance requirements as specified in the Contract.

- 4.2 The County's Compliance Manager shall maintain the UCR, and it will be used to evaluate Contractor's performance of the requirements of the Contract in addition to being used as the basis for placing Contractor on probation, suspending payment, suspending the Contract, terminating the Contract or any other remedies that are available in the Contract. The UCR may also be used during the solicitation process to evaluate Contractor's past performance on this Contract.